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FM AMCONSUL SHANGHAI
TO RUEHC/SECSTATE WASHDC 7018
INFO RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC
RUEFHLC/DEPT OF HOMELAND SECURITY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHOO/CHINA POSTS COLLECTIVE
RUEHKO/AMEMBASSY TOKYO 0340
RUEHGP/AMEMBASSY SINGAPORE 0164
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RHEHAAA/NSC WASHINGTON DC
RUEHGH/AMCONSUL SHANGHAI 7588

UNCLAS SECTION 01 OF 03 SHANGHAI 000296

SENSITIVE
SIPDIS

STATE FOR EAP/CM AND EB
STATE PASS USTR FOR STRATFORD/WINTER/ALTBACH/KATZ
DOC FO ITA - DAS KASOFF, CMCQUEEN, ESZYMANSKI
TREASURY FOR OASIA - DOHNER/HAARSAGER/CUSHMAN
NSC FOR KURT TONG, JONATHAN SHRIER
TREASURY FOR OASIA - CUSHMAN, WINSHIP

E.O. 12958: N/A

TAGS: [ETRD](#) [PGOV](#) [ECON](#) [BEXP](#) [KIPR](#) [EAIR](#) [CH](#)

SUBJECT: SHANGHAI CUSTOMS: EMPHASIS ON TRANSPARENCY AND CUSTOMER SERVICE

REF: 07 SHANGHAI 815

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¶1. (SBU) Summary: In a July 22 meeting, the Shanghai Customs Director General Sun Yibiao welcomed the "close relationship" between Customs and the Consulate over the past three years and discussed areas for future cooperation. Sun emphasized the importance of input from the Consulate and the U.S. business community in improving service. In addition, Sun noted his continued support of the Container Security Initiative (CSI) and promised to explore ways to enhance coordination. As part of the effort to streamline efficiency, Shanghai Customs plans to expand the pilot program of paperless clearance from exports to imports. On IPR issues, Sun said that, in accordance with the May 2007 SED Agreement, Shanghai Customs is sharing information on counterfeits through the General Administration of China Customs in Beijing. End Summary.

¶2. (U) As part of an ongoing dialogue, the CG hosted Shanghai Customs Director General Sun Yibiao for a lunch on July 22. Sun was joined by Shanghai Customs General Office Director Wang Rongjun, General Office Deputy Director Liu Yongqi, Division Chief of Supervision and Control Zhang Yaping, and Foreign Affairs Office Deputy Director Ding Ye. Other Consulate officials included Foreign Commercial Service (FCS) Chief, Agriculture Trade Office (ATO) Chief, Container Security Initiative (CSI) Deputy Chief, and Econoff.

Collaboration - A Long-Term Priority

¶3. (SBU) Sun thanked the CG for his cooperation and support over the past three years and noted the strength of the ties between the two sides. He also welcomed long-term collaboration and deeper cooperation with the Consulate. The CG noted Shanghai AmCham's direct dialogue with Shanghai Customs, saying AmCham has been impressed by the excellent information exchange. A recent AmCham Shanghai survey concluded that Customs service was improving, but added that U.S. companies still want China Customs to make regulations and procedures more transparent, as well as make the clearance process speedier.

Shanghai Customs Welcomes Business Input

14. (SBU) DG Sun said that Shanghai Customs relies heavily on the Consulate and the U.S. business community for suggestions on ways to improve their operations. These suggestions are taken seriously and implemented when possible. He particularly welcomed the liaison mechanism with AmCham, which provides an ongoing dialogue on key customs issues and an official channel to address new questions and concerns as they arose. Liu added that Shanghai Customs would welcome more input on specific requirements from the U.S. business community on how to improve its operations. Shanghai Customs is willing to provide training as necessary to the U.S. business community. Companies can also readily obtain information through the Customs website or by consulting with customer service representatives. Shanghai Customs also tries to provide accurate and timely information through its Chinese and English websites.

Transparency is Paramount

15. (SBU) According to Sun, Shanghai Customs works to be transparent on the implementation of all its rules, regulations and procedures. It makes extra effort to communicate with companies so they know what is expected. It is in Customs own interest to make sure the relevant rules and regulations are available to the public through training, websites, and customer service representatives. In addition, Customs has a "hearing system" that allows companies to appeal if they feel they have been unjustly treated. Sun welcomed further input from the Consulate and the U.S. business community on ways to increase transparency.

Official Cooperation Welcome Too

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16. (SBU) In a response to the CG's inquiry about concrete ways the two sides could cooperate, Sun said he favors more programs such as the Trade and Development Agency-funded training program on intellectual property rights (IPR) that concluded in July. Shanghai Customs will look into and elicit ideas on course content regarding the idea suggested by Beijing China Customs officials to hold training on trade facilitation. Sun opined that training and exchange of experiences on security issues, in particular risk management, would be the best method to promote trade facilitation. The two issues exist in a delicate balance.

Another possible interest for training is on product classification. Sun also noted that the Shanghai Customs College not only trains China Customs officials, but it also trains Customs officials from around the world and thought it would be worthwhile to cooperate on the training of these other officials as well.

Paperless - The Wave of the Future

17. (SBU) Regarding Shanghai's trial run with a paperless clearance system, Sun said it was approved by Beijing and was currently only focused on outbound air and sea freight on a limited basis. This new system has thus far been successful in streamlining the clearance system and is now being contemplated for import clearance as well. (Note: All major ports in the YRD, including Ningbo, Suzhou, and Zhangjiagang are using the system. Currently close to 100 percent of all duties and 75 percent of all documents are collected by the paperless, e-Port system. The trial period for paperless clearance began in January 2008. End Note.)

18. (SBU) Once Beijing deems the test on paperless clearance for exports has been successful, it will be expanded to include imports. In response to a suggestion from ATO Chief Batwin, who noted that importers will need training on the paperless system before it is implemented effectively, Sun said that he would

welcome cooperation with the U.S. Consulate on the matter. Sun believes the paperless import clearance system will be well in place before the 2010 World Expo in Shanghai. Such systems are necessary to cope with the 80,000 TEU, worth USD 2.5 billion, of imports and exports that transit the Port of Shanghai on a daily basis. Sun said it is impossible to inspect this volume of goods and noted that the paperless clearance system is a part of Custom's risk management strategy.

The Two Risks: Companies and Commodities

¶9. (SBU) The focus of the system is both on companies and commodities, both of which are classified according to risk. Companies are divided into three categories according to their "credibility." Those that are deemed to have the highest degree of credibility are given a higher degree of "trade facilitation." These companies must operate under certain standards and sign agreements that they will uphold all Customs regulations. Customs then keeps records on all the companies to ensure they are compliant. For companies with bad records, the highest degree of scrutiny is given. Customs recognizes that some companies make honest mistakes and works to rectify those situations. Also, some commodities are more "risky" and draw a higher degree of scrutiny. For those commodities that have a high credibility rating, they merely need to transmit their data online and pay the customs duty for their goods to be released. Customs can go to the business and inspect the documents as necessary.

Container Security Initiative Working Well

¶10. (SBU) CG noted that the U.S. Container Security Initiative (CSI) is working well and thanked Shanghai Customs for their cooperation. CSI Deputy Chief Raymond Hinds noted that his office occasionally comes across an issue on the weekends when the Shanghai Customs Office is closed. Zhang, who is

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responsible for cooperation with CSI, agreed there is good cooperation on the CSI program between the two sides. He said there is a system to handle requests on the weekends and holidays under special circumstances. The CSI bilateral agreement, however, does not provide for weekend or after hours inspections on a routine basis. Nonetheless, Sun indicated a willingness to consider making a more regular channel to deal with weekend requests. He suggested that the United States make a written request and said this would have to be cleared in Beijing.

Cooperation on IPR through Beijing

¶11. (SBU) In response to an inquiry about how Shanghai Customs is implementing the May 2006 SED agreement on sharing of IPR enforcement information, Sun said that Shanghai is actively sharing information under the framework. However, the information is exchanged at the General Administration of China Customs level in Beijing. In addition, Shanghai Customs shares IPR enforcement information with other ports with which it has information exchange programs in place such as Rotterdam. Sun emphasized that Shanghai Customs continues to be vigilant against exports and imports of pirated and counterfeit goods.

Comment

¶12. (SBU) Shanghai Customs' cooperation with the Consulate and U.S. industry has continued at a rapid clip since the beginning of the year. Customs has been very responsive to working level requests from CSI, ATO, and FCS. Shanghai Customs has warmly hosted several U.S. delegations, including SED Envoy Ambassador Holmer. Shanghai Customs even completed the US Trade and Development Agency-sponsored IPR training programming that had been postponed because of the U.S. filing of the IPR-related WTO

cases. Our collaboration on the Megaport Ports initiative is also moving along nicely. In addition, AmCham Shanghai continues to be very pleased with Shanghai Customs's continued support for their cooperation program and ongoing dialogue. Although there have been rumors that Sun might transfer to Beijing, we are confident that our strong cooperation with Shanghai Customs will continue even if Sun moves on.

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